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Bank Indonesia steps up warnings against cryptocurrency trade

Practice is 'susceptible to money laundering, terrorism funding'

ERWIDA MAULIA, Nikkei staff writer



Indonesian authorities warn that the pseudonymous nature of trading in bitcoin facilitates criminal activity. © AP

JAKARTA -- Following its ban on the use of cryptocurrencies as a payment tool last year, Indonesia's central bank has stepped up its warnings against trading in virtual currencies -- citing the practice's susceptibility to abuse by criminals, as well as systemic risks.

Bank Indonesia made a statement at the weekend highlighting the highly risky and speculative nature of the use of digital tokens.

On Monday, Eni Panggabean, the head of payment system policy and oversight at Bank Indonesia, said that, unlike some cryptocurrency-friendly authorities like Japan, Indonesia's vulnerability to crimes like terrorism made it more wary about bitcoin and other virtual currencies.

Market data

| | | | |
|----------------|-----------|---------|--------|
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| Shanghai Comp. | 3,256.92 | +2.39 | +0.07% |
| Hang Seng | 29,886.39 | -697.06 | -2.28% |
| Singapore STI | 3,438.61 | -40.59 | -1.17% |
| Sensex | 33,746.78 | -300.16 | -0.88% |
| Dow Jones Ind. | 24,874.76 | +336.70 | +1.37% |
| USD/JPY | 106.31 | +0.92 | +0.87% |
| USD/CNY | 6.34 | ±0.00 | ±0.00% |

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The pseudonymous nature of cryptocurrency transactions were drawing people with criminal intentions, including for money laundering and terrorism funding, she said, defending the country's tough stance.

"You can check with the PPATK," Panggabean said, referring to Indonesia's anti-money laundering agency. "There are some data pointing to bitcoin uses in crimes -- due to [the use of pseudonyms. Cryptocurrencies] are really comfortable for criminals because their identities can stay concealed [in transactions]. It's really hard to trace them."

Her comments follow a press statement from the bank on Saturday, in which Agusman, executive director for communications at Bank Indonesia, said cryptocurrencies were "highly risky and loaded with speculations", with no responsible authority, no underlying assets to base prices on and high volatility.

"This means that virtual currencies are vulnerable to bubble risks ... therefore can potentially impact financial system stability and cause financial harm to society," Agusman said. "All things considered, Bank Indonesia warns all parties not to sell, buy, or trade virtual currency."

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The warnings from the bank came on the heels of South Korea's crackdown on its cryptocurrency exchanges and its Justice Ministry's announcement of a plan to ban the trading last week -- a move that sent bitcoin prices plummeting after they skyrocketed last year. The country, however, seems to be backtracking on the harsh move, with Seoul's Office for

Government Policy Coordination saying in a statement on Monday that the ban had not been finalized.

"The proposed shutdown of exchanges that the justice minister recently mentioned is one of the measures suggested by the justice ministry to curb speculation. A government-wide decision will be made in the future after sufficient consultation and coordination of opinions," the office said.

Panggabean said the bank's stance against cryptocurrencies was "similar" to that of South Korea -- though not as tough as China, which forced all bitcoin exchanges in the country to close by October last year.

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